



Weak Automotive compensated by Defence performance

Conference Call Q3 2019

Düsseldorf, 7. November 2019

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 **RHEINMETALL**
GROUP

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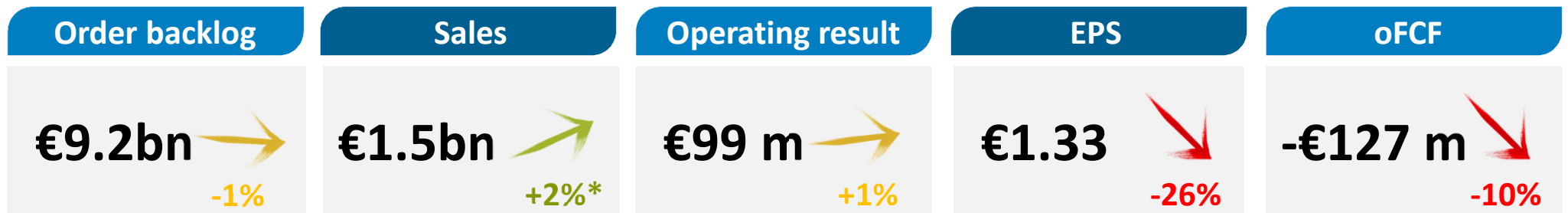
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Q3 2019 Group commercial highlights

Weak Automotive compensated by Defence performance



- Order backlog on high level
- Organic sales at constant exchange rates grew +2.5%* (reported 5.0%) to €1.5bn
- Operating result stable with significant shift between the segments
- EPS decline of 26% to €1.33 after PY €1.80 (including €0.47 real estate gain)
- Operating FCF down €11m yoy to -€127m including €15 m CTA funding
- FY Guidance specified

Q3 2019 Group commercial highlights

Good news flow in both segments

Pierburg scoring its largest project
 Successful ramp up of record-breaking serial production orders for new Electric Vapor Pump (EVAP) worth €700 m (initial contract until 2026)



Rheinmetall Automotive wins major order for coolant valves
 Innovative 2/2 coolant valve scores a first major European order from a premium German carmaker



Rheinmetall Automotive receives order for fuel-cell components
 First serial order for electric cathode valves from a well-known German vehicle manufacturer



Rheinmetall modernizing VJTF 2023 equipment
 Rheinmetall taking on a key role in equipping the NATO spearhead VJTF 2023, modernizing the Puma IFV and other equipment



Multimillion-euro order from Hungary
 Rheinmetall to manufacture main armament and hulls for PzH 2000 self-propelled howitzer and Leopard 2 main battle tank



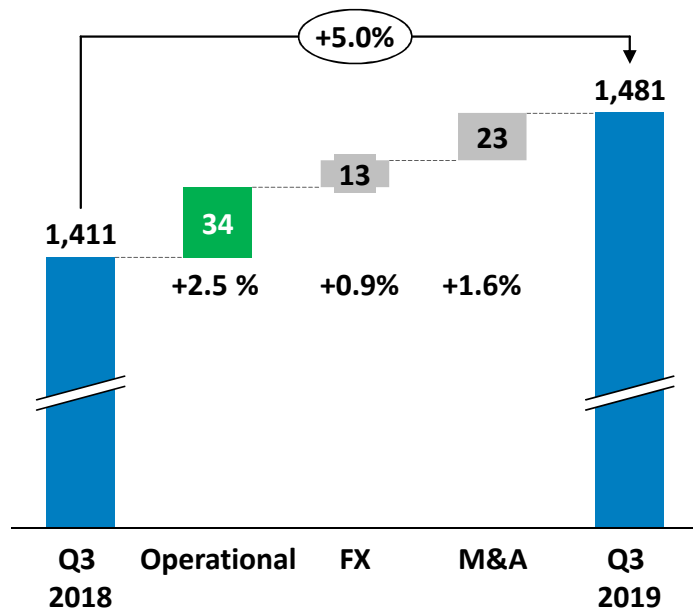
Rheinmetall IFV selected to compete in Australia
 Lynx KF41 down-selected for Australian's Risk Mitigation Activity trials Land 400 Phase 3 program



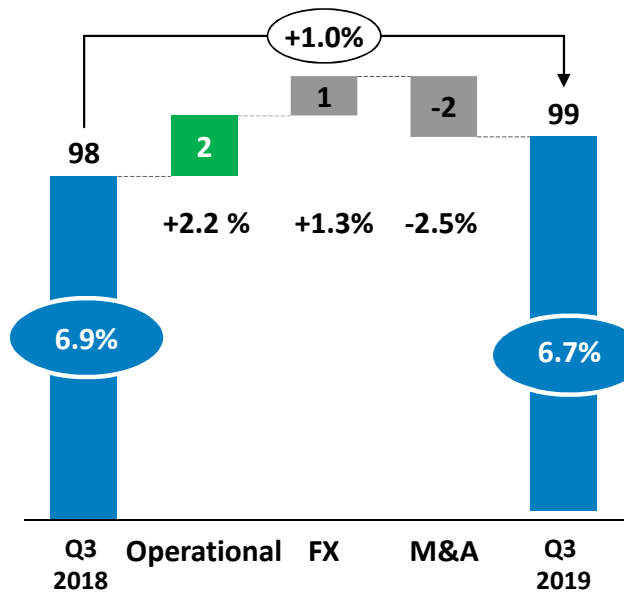
Q3 2019 Group commercial highlights

Operational improvement of sales and operating result

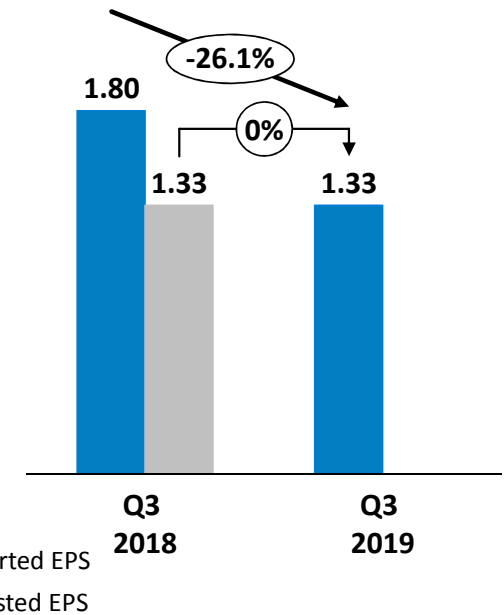
■ Sales
in €m



■ Operating result in €m
Operating margin in %



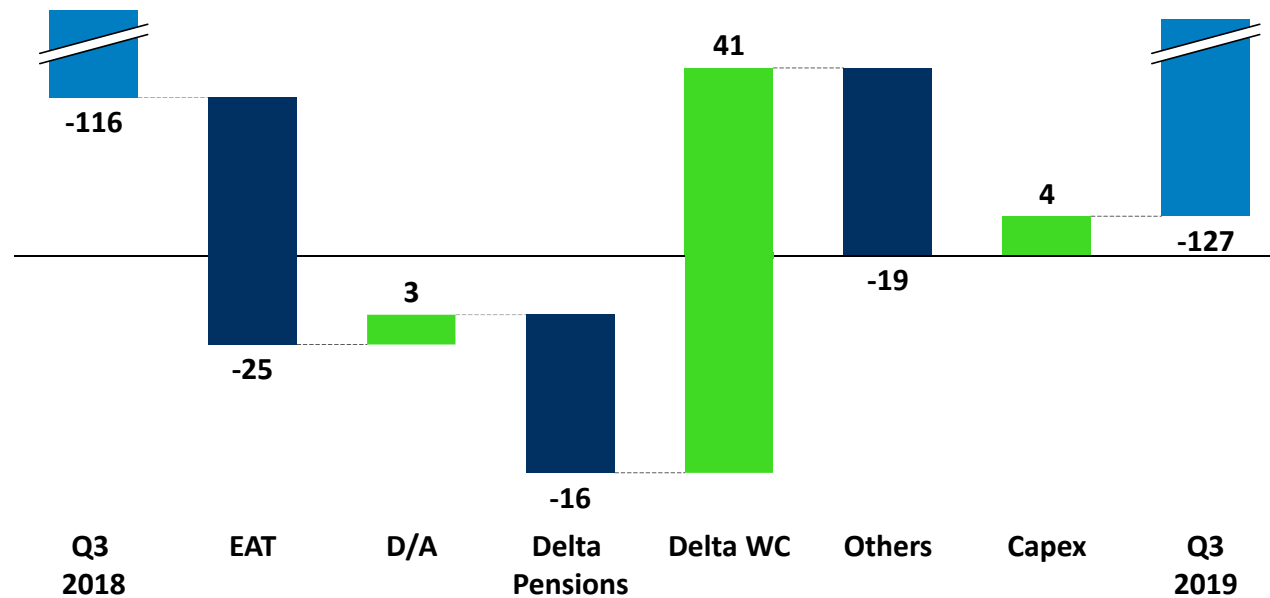
■ Earnings per share
in €



Q3 2019 Group commercial highlights

Operating Free Cash Flow improved operationally

■ Operating free cash flow bridge
in €m



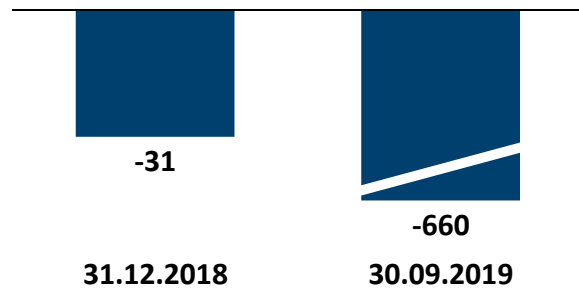
- EAT operationally improved, but compares to a PY including €30m real estate gain
- CTA funding of €15 m included in Pensions
- Strong support from working capital optimization in Automotive

Q3 2019 Group commercial highlights

Financial KPI impacted by M&A transactions and pension topic

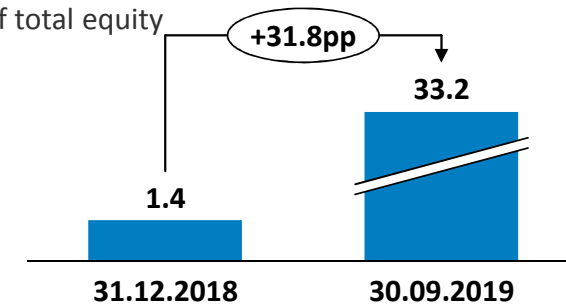
Net financial debt

in €m



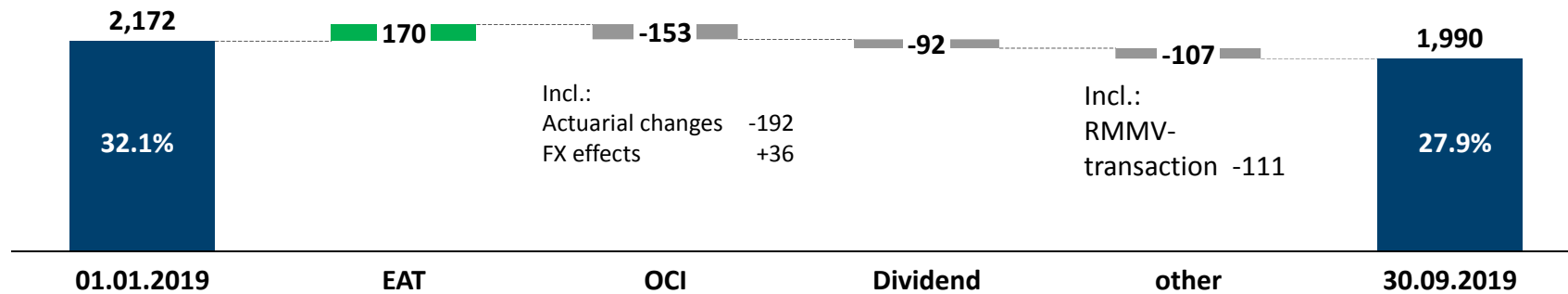
Net gearing

Net debt in % of total equity



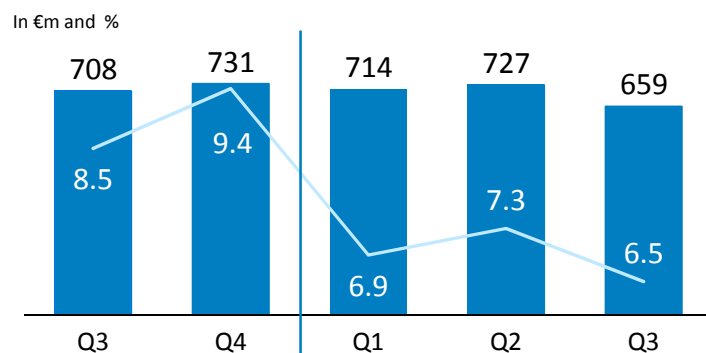
Equity bridge

in €m and equity margin in %



Q3 2019 Highlights: Automotive Non-LV business and absence of equipment sales burdened the quarter

Quarterly sales and margin development



Comments on quarterly performance

- Sales decline of -6.9% (FX-adjusted -8.5%)
- LV sales were down 3.4%, in line with Global LV production of -3.2%*
- Non-recurring China equipment sales and weak non-LV business created pressure on sales
- Low visibility until year's end remains the key issue
- OFCF benefited from improved working capital management

In €m

	Q3 2018	Q3 2019	Δ	YTD 2018	YTD 2019	Δ
Sales	708	659	-6.9%	2,199	2,099	-4.6%
Operating result	60	43	-28.3%	193	144	-25.4%
Operating margin in %	8.5%	6.5%	-200 bp	8.8%	6.9%	-190 bp
Operating Free Cash Flow	-2	6	400.0%	-16	-8	50.0%
Operating FCF / Sales	-0.3%	0.9%	120 bp	-0.7%	-0.4%	30 bp

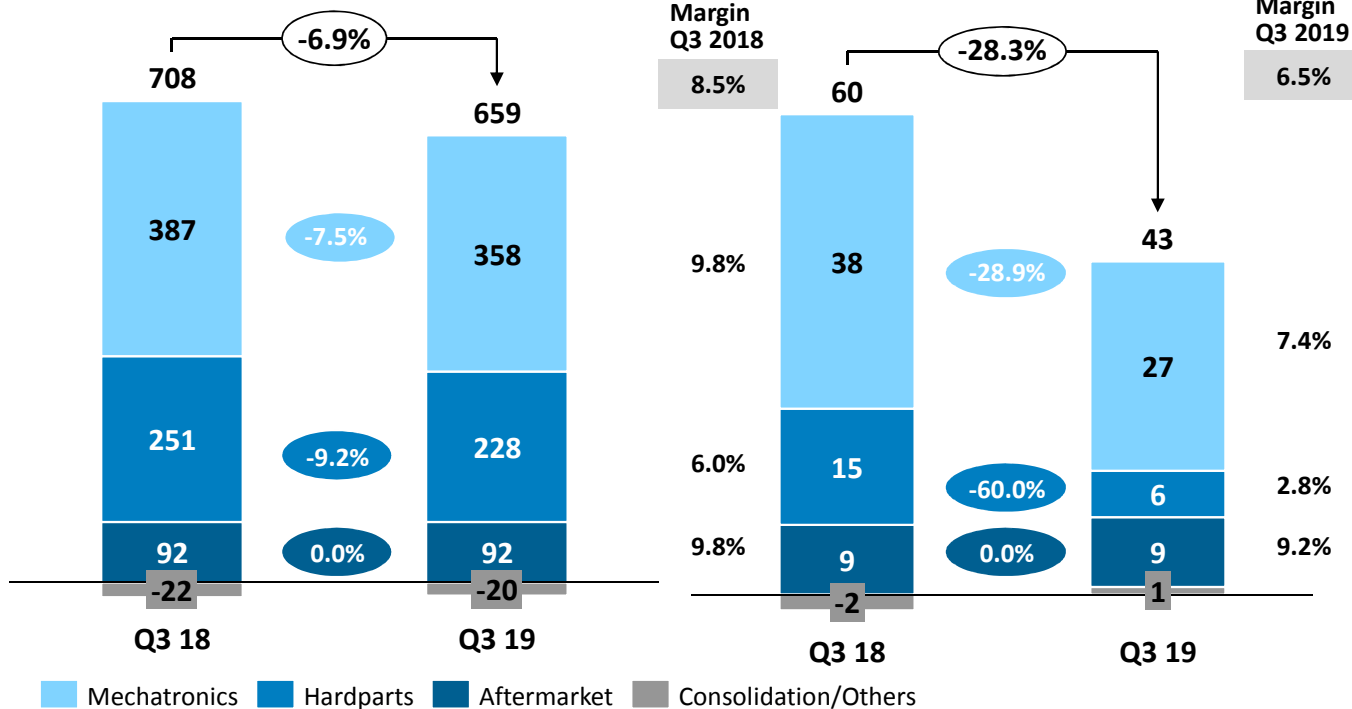
*IHS Markit: 5 November 2019

Q3 2019 Highlights: Automotive

Negative business development in all divisions and end markets

Sales Automotive
in €m

Operating result Automotive
in €m



Mechatronics

- Slow LV endmarkets
- R&D for e-mobility

Hardparts

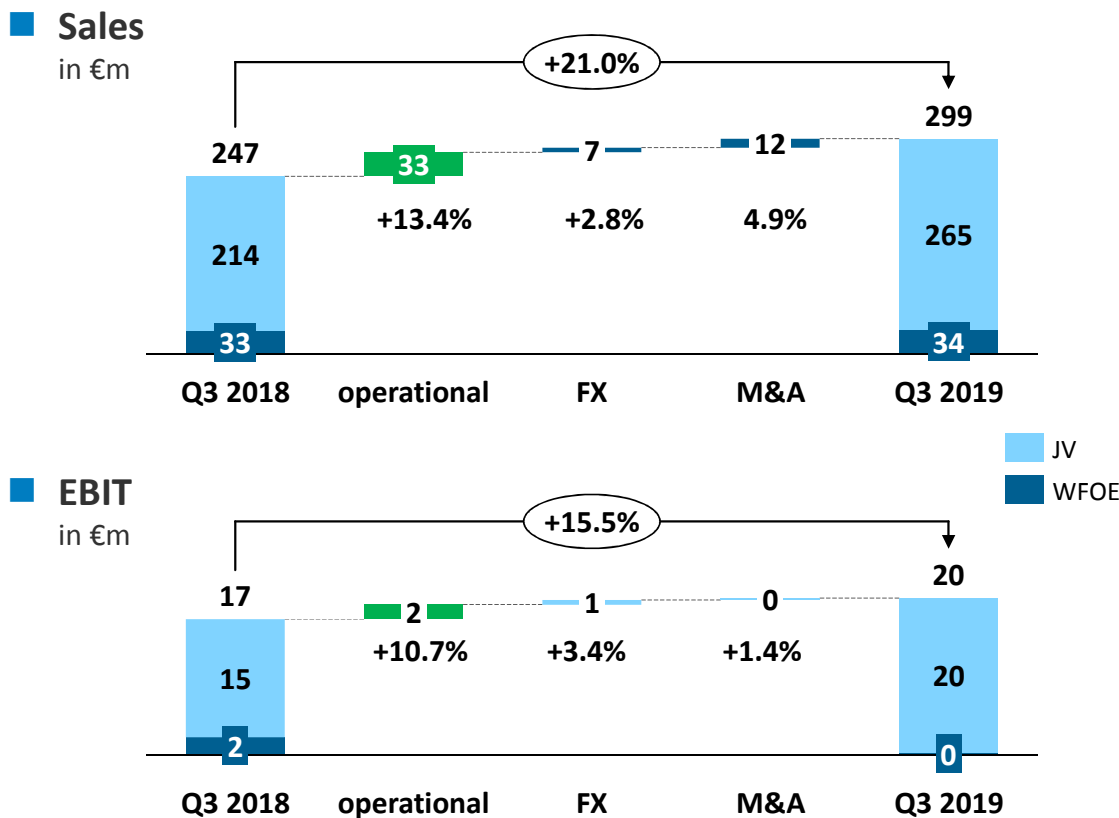
- Underlying business flat y-o-y, equipment sale already in Q2 '19
- Operational issues at CZ plant persisted

Aftermarket

- Stable results in weak markets

Q3 2019 China Total Management View

Strong sales growth against the market trend



- Strong operation sales growth of 21% due to successful ramp ups, supported by M&A versus a contracting China LV production of -5.5% (YTD -10.6%)*
- EBIT increased by 15.5% to €20m, but margin declined slightly from 7.0% to 6.7% due to adverse portfolio effects and ramp up cost for new products

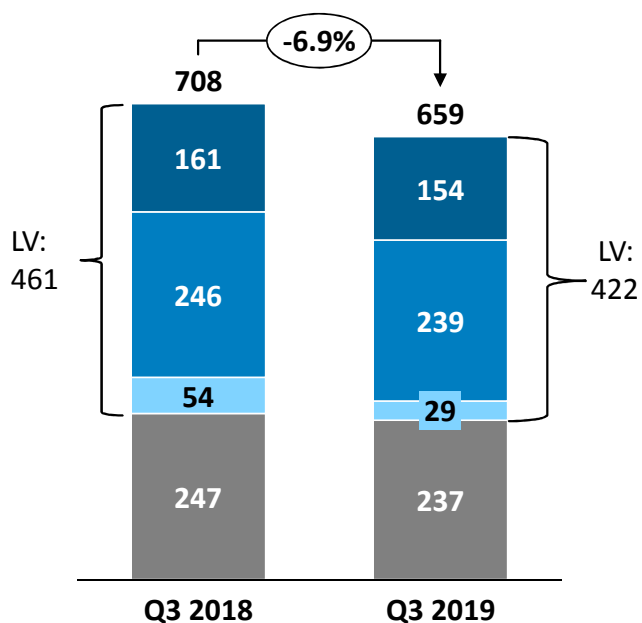
Including 100% figures of 50/50 JV, consolidated at equity

*IHS Markit: 5 November 2019

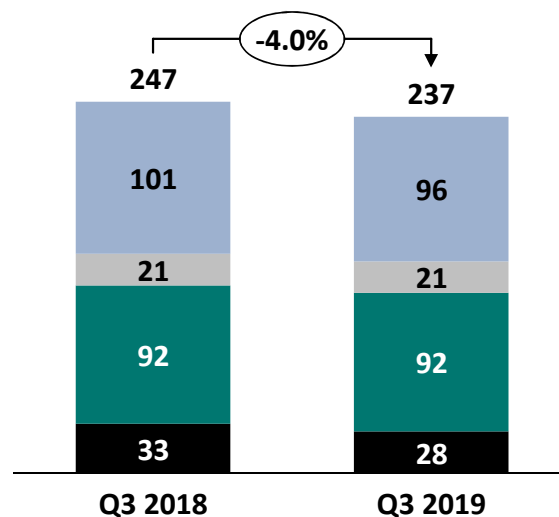
Q3 2019 Highlights: Automotive

All end markets under pressure

■ Sales split LV / Non-LV
in €m / in %



■ Sales split Non-LV
in €m / in %

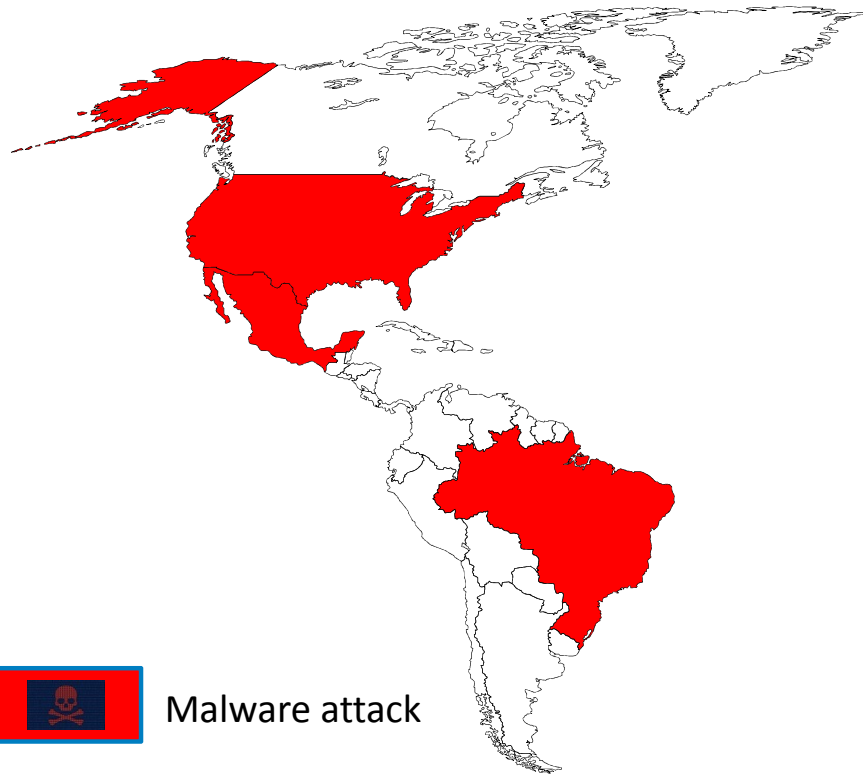


	absolute	Delta in %	
Diesel	-7	-4.3%	-3.4%
Gasoline	-7	-2.8%	
other LV**	-25	-46.5%	
LV Business	-39	-8.4%	
Truck	-5	-4.6%	-4.1%
Large Bore	0	+1.9%	
Aftermarket	0	0%	
Other*	-5	-15.2%	
Non-LV Business	-10	-4.0%	

* Other: MIR, Industrie, Continuous casting
** Including €20m equipment sales

Q3 2019 Highlights: Automotive

Malware attack: Basic system environment reestablished, clean up continues



- Malware attacked legal entities in the Automotive domain in the US, Mexico and Brazil
- No infection of Defence systems detected
- Production could be generally maintained, except warehouse for Aftermarkets business
- Internal and external IT support as well as several governmental agencies involved
- Limited topline effect due to successful set up of work-arounds
- EBIT effect expected at around €6-8m in Q4 2019
 - Higher logistic expenses
 - Consultant fees

Q4 2019 outlook: Automotive

No sales recovery in Q4 and additional burden ahead

- IHS sales forecast predicts -5.8% global market decline* for 2019
- Our FY 2019 market expectation targets a decline of 6% -7%
- Negative net ramp up effect
- GM strike and malware impact top and bottom line
- Poor visibility due to short-term call offs with last minute adjustments

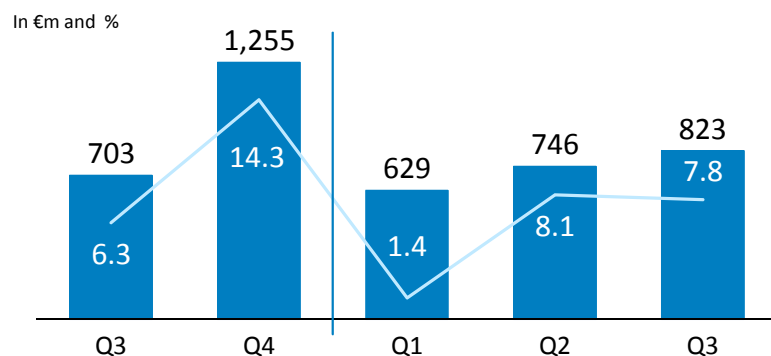
- 
- **Current growth guidance out of reach**
 - **Margin guidance on the low side**

*IHS Markit: 5 November 2019

Q3 2019 Highlights: Defence

Defence delivered as promised

Quarterly sales and margin development



Comments on quarterly performance

- Order intake of € 1.136m solid, including new VJTF orders
- Sales growth of 17.1% (FX adjusted 13.4%) driven by ES and VS and including €23m M&A effect
- Margin rose by 150 bp to 7.8%
- OFCF basically stable

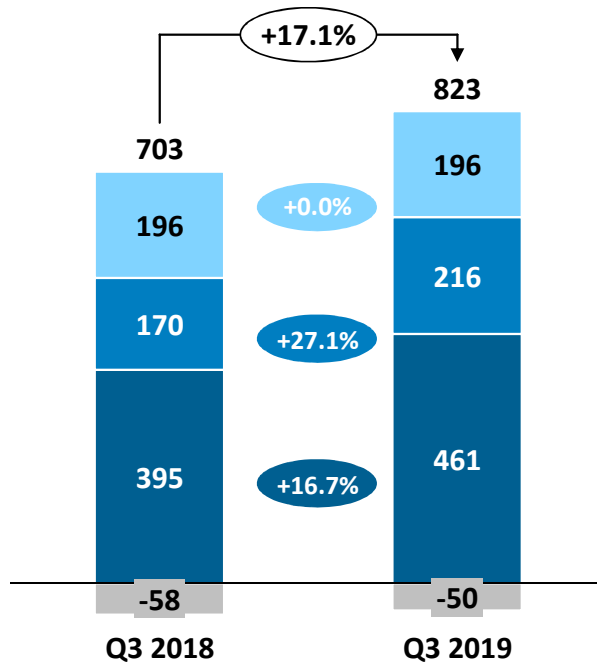
In €m

	Q3 2018	Q3 2019	Δ	YTD 2018	YTD 2019	Δ
Order intake	3,044	1,136	-62.7%	4,471	2,201	-50.8%
Sales	703	823	17.1%	1,966	2,198	11.8%
Operating result	44	64	45.5%	75	134	78.7%
Operating margin in %	6.3%	7.8%	150 bp	3.8%	6.1%	220 bp
Operating Free Cash Flow	-98	-104	-6	-508	-328	180
Operating FCF / Sales	-13.9%	-12.6%	130 bp	-25.8%	-14.9%	1,090 bp

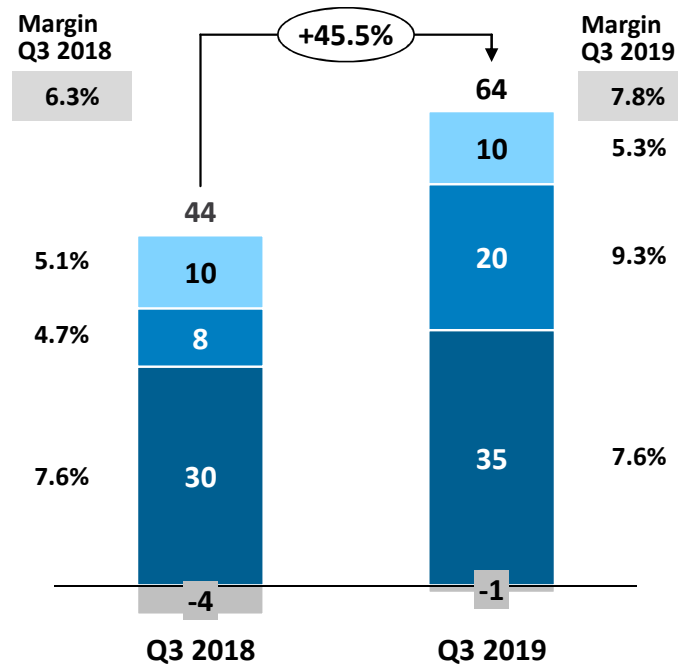
Q3 2019 Highlights: Defence

Double digit growth of operating result

Sales Defence
in €m



Operating result Defence
in €m



■ Weapon & Ammunition
 ■ Electronic Solutions
 ■ Vehicle Systems
 ■ Consolidation

Weapon and Ammunition

- Sales held back by missing export approvals

Electronic Solutions

- Solid execution in all BU
- Restructuring supportive

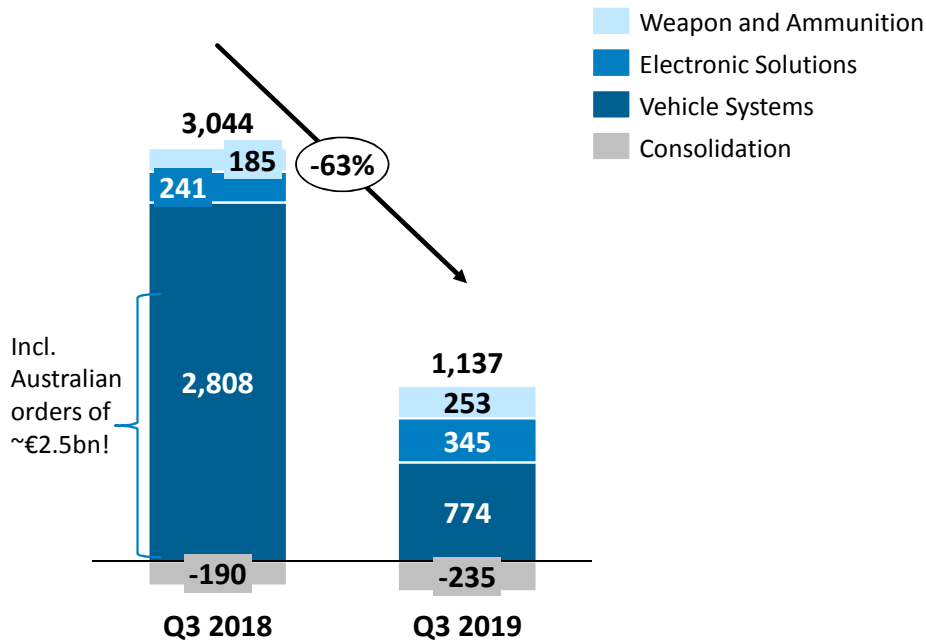
Vehicle Systems

- High order execution
- Stable margin

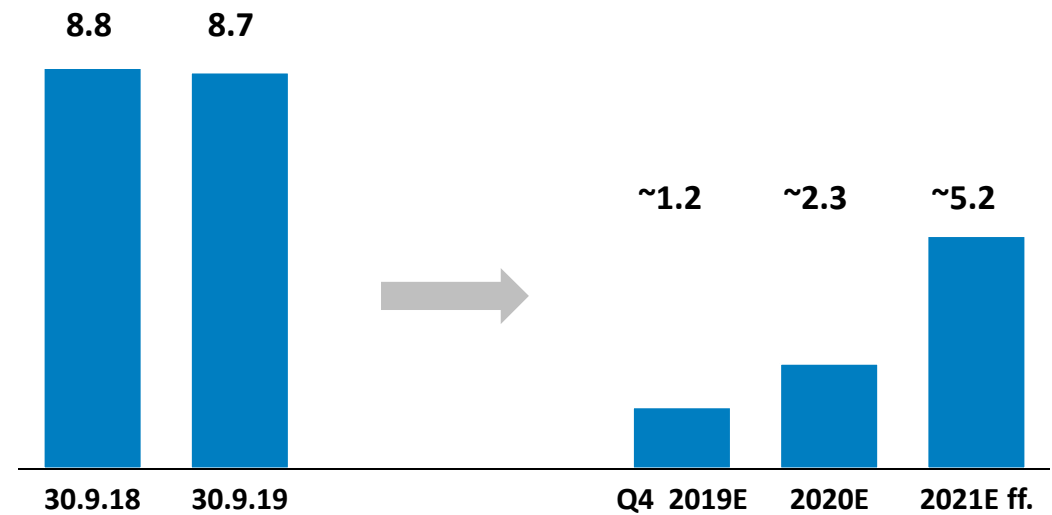
Q3 2019 Highlights: Defence

Robust order intake comparing to extraordinary PY quarter

Order intake by division
in €m



Order backlog profile
in €bn
change in %

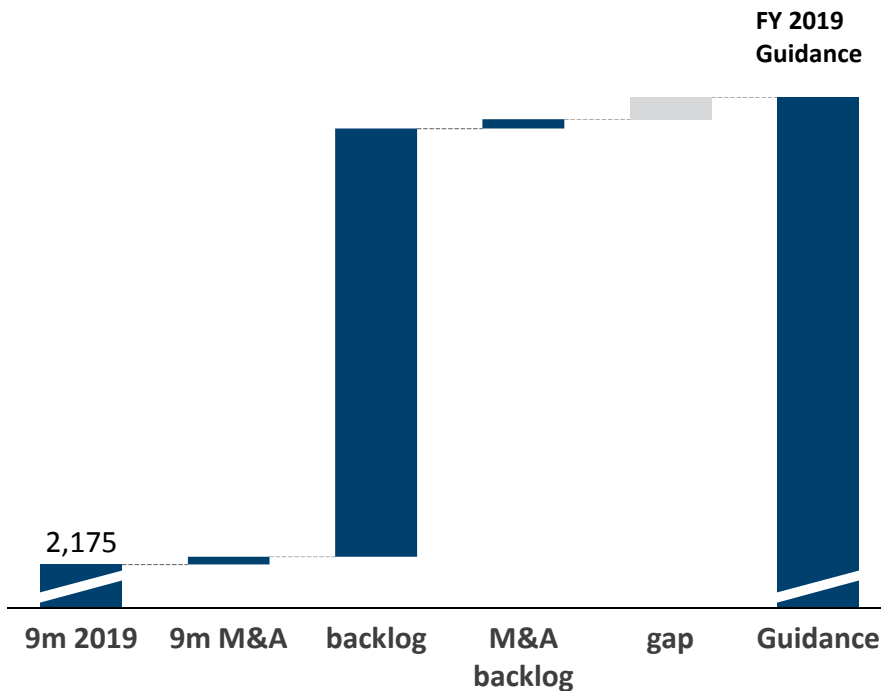


Q4 2019 outlook: Defence

Export risks limit growth expectations

■ Sales

cumulated in €m



but:

Germany:

- Ban of new business with Turkey since Oct. 2019 (no impact)
- Ban of deliveries to Yemen coalition forces extended to March 2020 (€100m truck/trailer business on hold)

Italy:



- 18 month suspension for ammunition deliveries to Yemen coalition forces, since August 2019 (€40m 2019; €70m 2020)
- Ban of new business with Turkey since Oct. 2019 (no impact)

South Africa:

- Replacement capacity received all necessary permits (flexibilisation of production process in existing plant)
- New capacity project started
- Delay in export regulation puts ~€30m sales at high risk

Growth assumptions adjusted to around 9%

FY 2019 GUIDANCE. GROUP GUIDANCE SPECIFIED

	Sales		Operating margin	
	2018 Growth yoy in % at constant FX	2019e Growth yoy in % at constant FX	2018 in %	2019e in %
GROUP	6.1	Slightly above 1 (before: ~4)	8.0	around 8
AUTOMOTIVE 	4.2	around -7 (before: -2 to -3)	8.9	around 6.5 (before: around 7)
DEFENCE 	7.9	around 9 (before: ~11)	7.9	Slightly above 9.5 (before: ~9)

Operational growth at constant FX

Next events and IR contacts

■ Next Events

Capital Markets Day 2019, Unterlüß

Berenberg Conference, Pennyhill

Goldman Conference, London

Oddo Conference, Lyon

Commerbank GIS, New York

Baader, Toronto

Kepler Cheuvreux GCC, Frankfurt

Lampe Conference, London

FY Earnings release

19/20 November 2019

4 December 2019

5 December 2019

9 January 2020

13/14 January 2020

15 January 2020

21/22 January 2020,

30 January 2020

18 March 2020

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■ Quick link to documents

Corporate Presentation



Interim Reports





Annual Reports



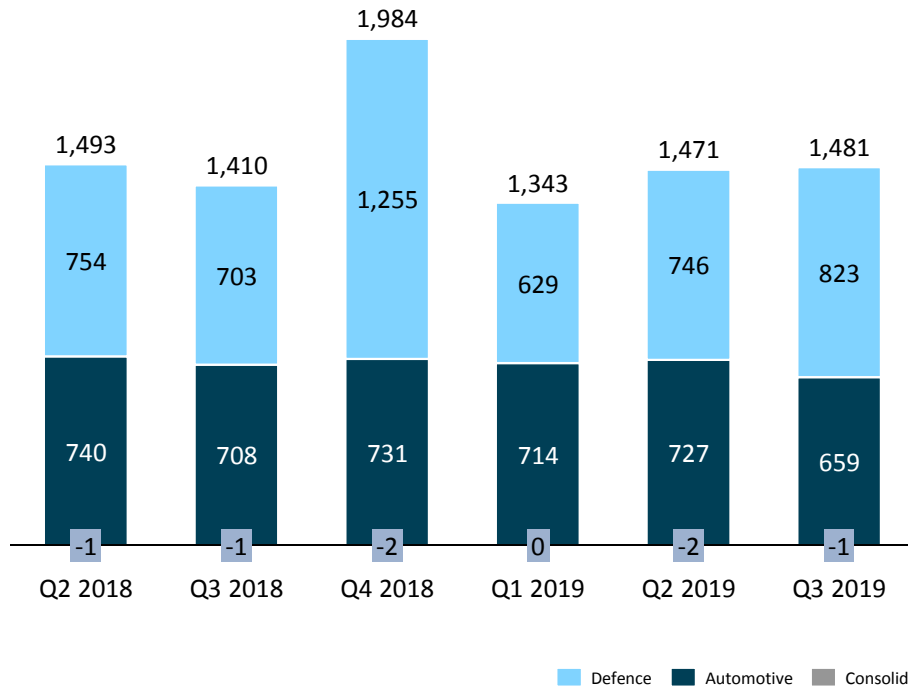
APPENDIX

Selected key data: outlook 2019

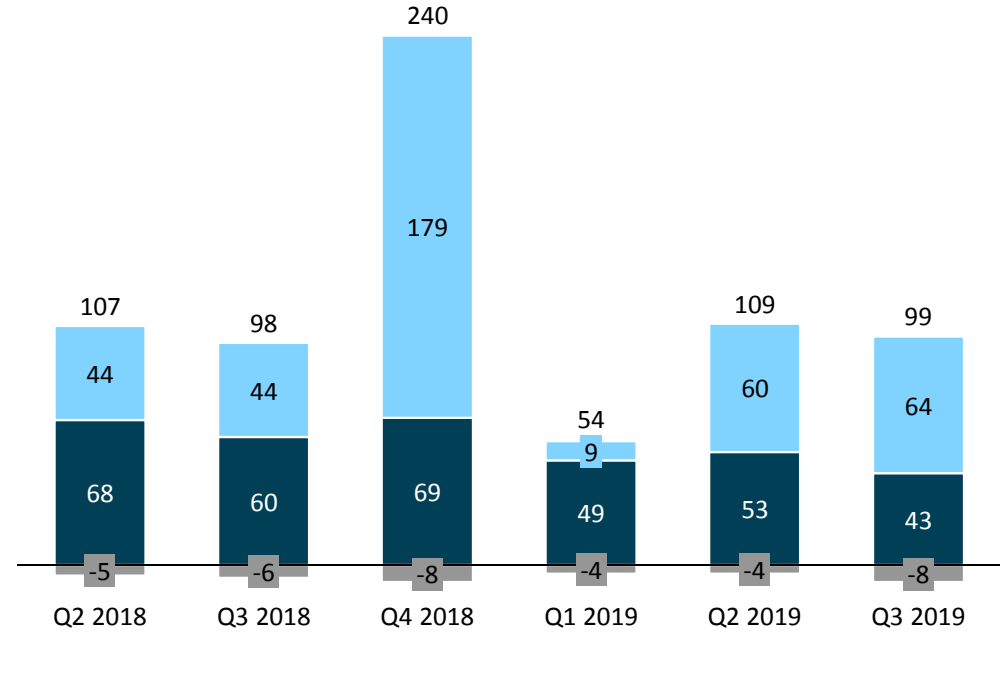
Rheinmetall Group		In %(PY)	Automotive 	Defence 
Holding cost	~€25-30m (PY: €24m)	Capex <small>(w/o IFRS 16)</small>	5.5-6% (5.5%)	3.5-4.5%(3.1%)
Tax rate	Comparable level (PY: 27%)	D&A	~5.5% (5.3% reported, scheduled 5.2%)	3-3.5% (4.8% reported, scheduled 3.7%)
Interest result	~-€40m (PY:-€33m)	R&D	5-6% (5.4%)	2-2.5% (2.3%)

Quarterly development Group

Sales
in €m



Operational results
in €m

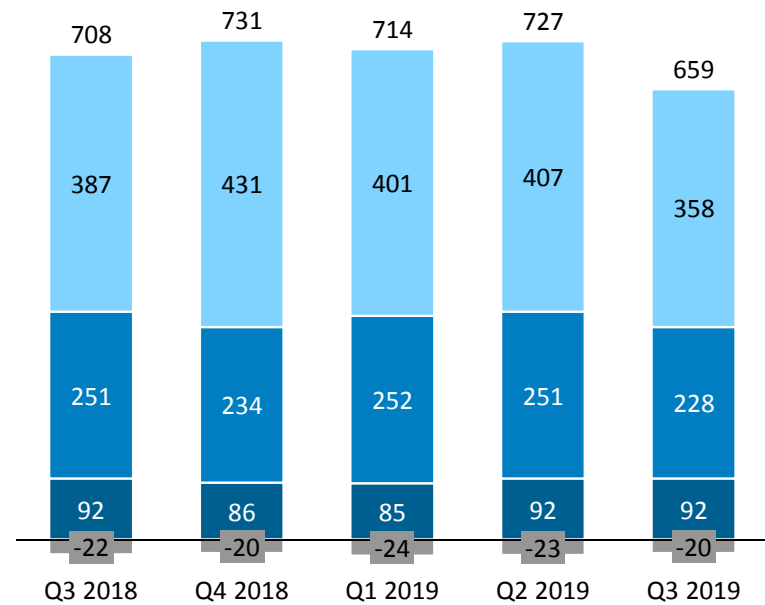


Free Cash Flow summary Group

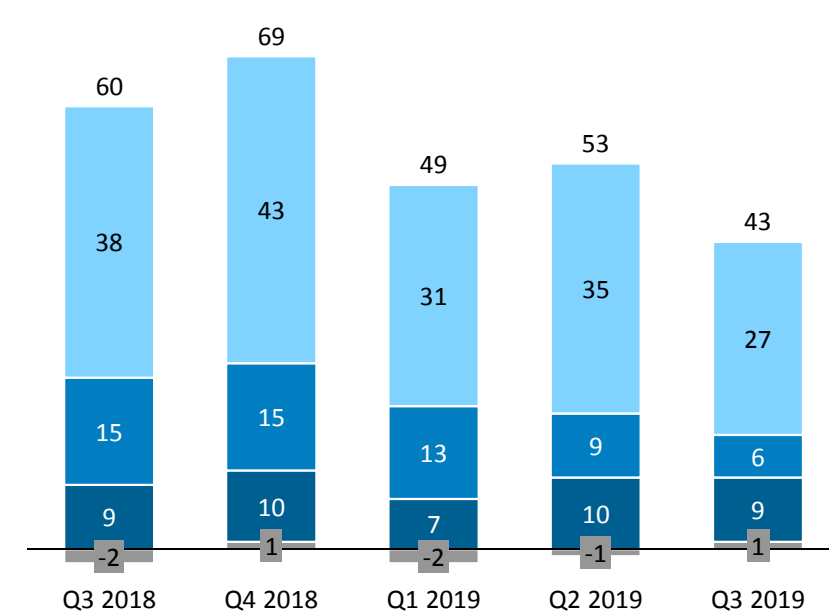
in €m	Q3 2018	YTD 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	YTD 2019	Δ Q3 '18/'19	Δ YTD '18/'19
Group Net Income	85	177	177	33	77	60	170	-25	-7
Amortization / depreciation	68	223	95	65	68	71	204	3	-19
Change in pension accruals	1	-40	-8	-2	1	-15	-15	-15	25
Cash Flow	154	360	264	96	146	116	359	-38	-1
Changes in working capital and other items	-200	-655	257	-125	-108	-159	-392	41	263
Changes in other items	-3	-81	97	-55	-57	-22	-133	-19	-52
Net cash used in operating activities	-49	-376	618	-84	-19	-64	-167	-16	209
Cash outflow for additions to tangible and intangible assets	-67	-167	-110	-44	-60	-63	-167	4	-
Free Cash Flow from Operations	-116	-543	508	-128	-79	-127	-334	-12	209

Quarterly development Automotive

■ Sales by division
in €m



■ Operational result by division
in €m



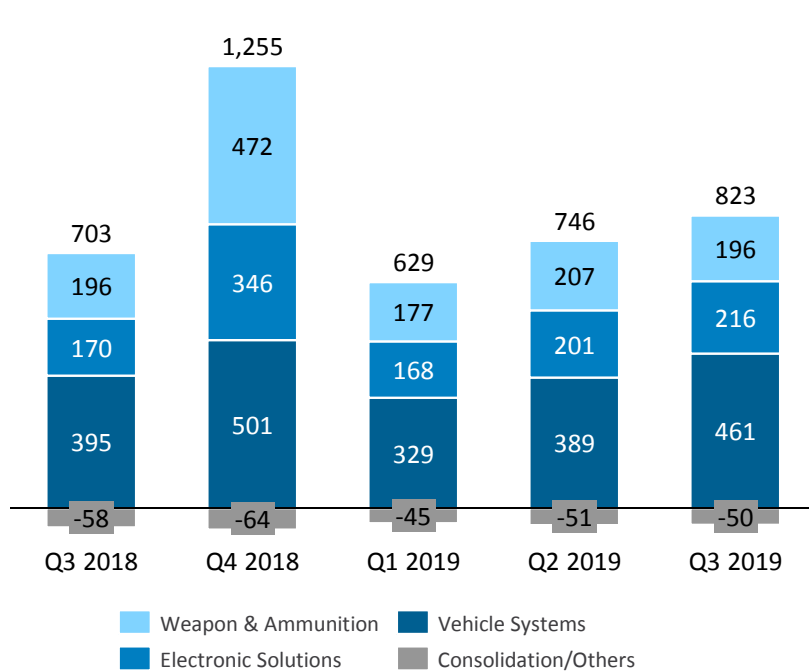
■ Mechatronics ■ Hardparts ■ Aftermarket ■ Consolidation/Others

Free Cash Flow summary Automotive

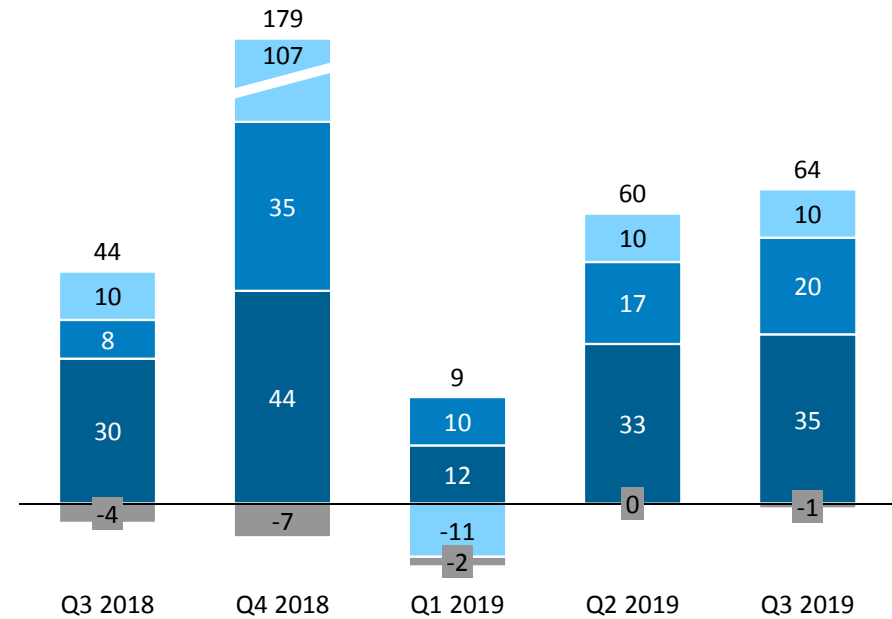
in €m	Q3 2018	YTD 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	YTD 2019	Δ Q3 '18/'19	Δ YTD '18/'19
Net income	42	139	56	34	39	30	103	-12	-36
Amortization / depreciation	39	113	42	38	41	41	119	2	6
Change in pension accruals	-	-21	-6	-1	-	-15	-16	-15	5
Cash Flow	81	231	92	71	80	56	206	-25	-25
Changes in working capital	-58	-116	46	-88	30	-3	-61	55	55
Changes in other items	20	-26	-16	-30	-10	-8	-47	-28	-21
Net cash used in operating activities	43	89	122	-47	100	45	98	2	9
Cash outflow for additions to tangible and intangible assets	-45	-105	-80	-29	-38	-39	-106	6	-1
Free cash flow from operations	-2	-16	42	-76	62	6	-8	8	8

Quarterly development Defence

Sales by division
in €m



Operational result by division
in €m



Free Cash Flow summary Defence

in €m	Q3 2018	YTD 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	YTD 2019	Δ Q3 '18/'19	Δ YTD '18/'19
Net income	27	29	131	1	35	37	73	10	44
Amortization / depreciation	27	105	51	25	25	29	79	2	-26
Change in pension accruals	2	2	-1	-1	2	1	2	-1	-
Cash Flow	56	136	181	25	62	67	154	11	18
Changes in working capital	-136	-538	214	-44	-136	-151	-331	-15	207
Changes in other items	4	-47	112	-60	-35	5	-91	1	-44
Net cash used in operating activities	-76	-449	507	-79	-109	-80	-268	-3	181
Cash outflow for additions to tangible and intangible assets	-22	-59	-28	-14	-22	-24	-61	-2	-2
Free cash flow from operations	-98	-508	479	-93	-131	-104	-328	-5	179

Income Statement Group													
In €m	Q3 2018	Q3 2019	Δ 9m 2018	9m 2019	Δ		Q3 2018	Q3 2019	Δ 9m 2018	9m 2019	Δ		
Sales	1.411	1.481	70	4.164	4.294	130							
	70	107	37	230	271	41							
Total operating performance	1.481	1.588	107	4.394	4.565	171	Earnings before interets and taxes (EI)	127	99	-28	273	269	-4
							Net interest income	1	0	-1	4	4	0
							Interest expenses	-11	-16	-5	-33	-38	0
Other operating income	61	31	-30	125	109	-16	Earnings before taxes (EBT)	117	83	-34	244	234	-10
Cost of materials	794	868	74	2.319	2.456	137	Income taxes	-32	-23	9	-67	65	132
Personnel expenses	373	408	35	1.177	1.250	73	Earnings after taxes	85	60	-25	177	170	-7
Amortization, depreciation and impairment	68	71	3	223	204	-19	Of which:	-	-	-	-	-	-
Other operating expenses	184	179	-5	545	511	-34	Minority interests	8	3	-5	23	7	-16
Income from investments carried at equity	7	9	2	21	22	1	Rheinmetall AG shareholders	77	57	-20	154	162	8
Other net financial income	-3	-3	0	-3	-7	-4							
Earnings before interets and taxes (EBIT)	127	99	-28	273	269	-4	EBITDA	195	170	-25	496	473	-23

In €m

Cash Flow Statement Group

	9m 2018	9m 2019	Δ		9m 2018	9m 2019	Δ
Net income	177	170	-7	Dividends paid out by Rheinmetall AG	-73	-90	-17
Amortization, depreciation and impairments	223	204	-19	Other profit distributions	-7	-2	5
Allocation of CTA assets to secure pension and partial retirement obligations	-40	-15	25	Sale of treasury shares	1	-	-1
Changes in pension provisions	0	-1	-1	Capital payment to/capital contributions by non-controlling interests	-	-	-
Income from disposition of non-current assets	-34	-1	-	Increase in shares in consolidated subsidiaries	-	-136	-136
Changes in other provisions	34	-44	-78	Borrowing of financial debts	133	259	126
Changes in inventories	-655	-392	263	Repayment of financial debts	-91	-90	1
Changes in receivables, liabilities (without financial debts) and prepaid & deferred items	-58	-78	-20	Cash flows from financing activities	-37	-59	-22
Pro rata income from investments carried at equity	-21	-22	-1	Changes in financial resources	-498	370	128
Dividends received from investments carried at equity	2	7	5	Changes in cash and cash equivalents due to exchange rates	-	4	4
Other non-cash expenses and income	-4	5	9	Total change in financial resources	-498	-370	128
Cash flows from operating activities 1)	-376	-167	209	Opening cash and cash equivalents January 1	757	724	-33
Investments in property, plant and equipment, intangible assets and investment property	-167	-167	0	Closing cash and cash equivalents	259	355	96
Cash receipts from the disposal of property, plant and equipment, intangible assets and investment property	72	8	-64				
Payments for the purchase of current liquid financial assets	-175	-225	-50				
Cash receipts from the disposal of current liquid financial assets	204	287	83				
Investments in consolidated companies and other financial assets	-19	-51	-32				
Cash receipts from disposal of financial assets	-	-	-				
Cash flows from investing activities	-85	-149	-64				

Balance Sheet Group

	31.12.2018	30.09.2019	Δ		31.12.2018	30.09.2019	Δ
Non-current assets	2.951	3.152	201	Equity	2.172	1.990	-182
Goodwill	550	565	15	Share capital	112	112	0
Other intangible assets	172	199	27	Additional paid-in capital	547	553	6
Usage rights	170	173	3	Retained earnings	1.383	1.212	-171
Property, plant and equipment	1.310	1.338	28	Treasury shares	-21	-17	4
Investment property	42	42	0	Rheinmetall AG shareholders' equity	2.021	1.860	-161
Investments carried at equity	285	308	23	Minority interests	151	130	-21
Other non-current financial assets	205	240	35	Non-current liabilities	1.981	2.285	304
Deferred taxes	217	288	71	Provisions for pensions and similar obligations	972	1264	292
Current assets	3.808	3.972	164	Other non-current provisions	210	193	-17
Inventories	1.259	1.622	363	Non-current financial debts	704	715	11
Contractual assets	338	462	124	Other non-current liabilities	80	95	15
Trade receivables	1.185	1.199	14	Deferred taxes	15	17	2
Liquid financial assets	100	40	-60	Current liabilities	2.606	2.850	189
Other current financial assets	178	237	59	Other current provisions	656	670	14
Income tax receivables	22	57	35	Current Financial debts	151	340	189
Cash and cash equivalents	724	355	-369	Contractual liabilities	650	803	153
Assets for disposal	2	-	-2	Trade liabilities	797	695	-102
				Other current liabilities	231	210	-21
				Income tax liabilities	121	131	10
Total assets	6.759	7.125	366	Total Liabilities	6.759	7.125	366

Glossary

bn	billion	LBP	Large bore piston
bp	basis points	LV	Light vehicle
CAGR	compounded average growth rate	m	million
CER	Constant Exchange Rates	NWC	Net working capital
CP	Commercial Paper	OCI	other comprehensive income
CTA	Contractual trust agreement	OEM	Original Equipment Manufacturer
D&A	Depreciation & Amortization	Operating FCF	Operating free cash flow
e	expected	Op. margin	Operating margin
EA	Export approval	P&L	Profit & Loss Account
EAT	Earnings after Tax	Pp	percentage points
EBIT	Earnings before Interest and Tax	PY	Previous Year
EBITDA	Earnings before Interest, Tax , Depreciation and Amortization	rep	reported
EBT	Earnings before Tax	ROCE	Return on capital employed
EIB	European Investment Bank	RoW	Rest of the World
EPS	Earnings per share	SOP	Start of production
EPL	Einzelplan	USMCA	USA, Mexico, Canada
EV	Electric Vehicle	WACC	Weighted average cost of capital
FTE	Full Time Equivalents	WLTP	Worldwide Harmonized Light-Duty Vehicles Test Procedure
FX	Foreign exchange rate	WfoE	Wholly foreign owned enterprise
GDP	Gross Domestic Product	ZA	South Africa
HEV	Hybrid and Electric Vehicles		
IFRS	International Financial Reporting Standards		
JV	Joint Venture		

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